



The Financial Power of ENERGY STAR®

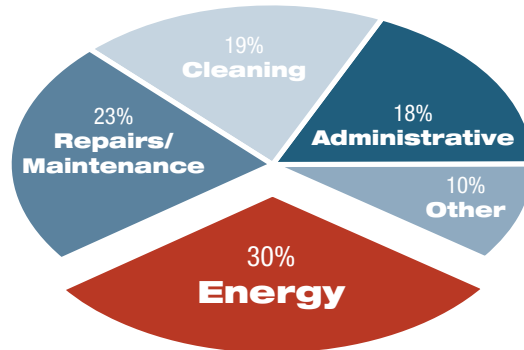
The U.S. Environmental Protection Agency (EPA) created the ENERGY STAR® label for buildings—the mark of excellence in energy performance—to recognize and promote excellence in strategic energy management, smart business practices, and environmental responsibility. The ENERGY STAR label has had the greatest impact in the commercial real estate arena.

Energy is the single largest operating expense for a commercial office building, comprising approximately one third of its operating expenses. By improving the energy performance of a building, owners can experience:

- Lower operating costs
- Increased net operating income (NOI)
- Increased funds from operations (FFO)
- Enhanced asset and shareholder value

High performance buildings are also more comfortable to work in because of more efficient climate-control systems and have higher tenant attraction, retention, and occupancy rates.

Energy is 30% of Office Building Operating Expenses



Energy upgrades typically have a 20 to 30% rate of return and are low risk. At a 10% capitalization rate, a building owner can generate two to three dollars in incremental asset value for each dollar invested in energy performance improvements. In addition, ENERGY STAR can help differentiate a portfolio and add value to the asset management strategy.

Saving 30% of energy costs is equal to increasing NOI by 5%. Using the income approach to appraisal, the 5% increase in NOI would support a 5% increase in building asset value. These economics are particularly important to real estate investment trusts (REITs) and other publicly traded real estate organizations since the financial benefits of higher FFO support a higher share price.

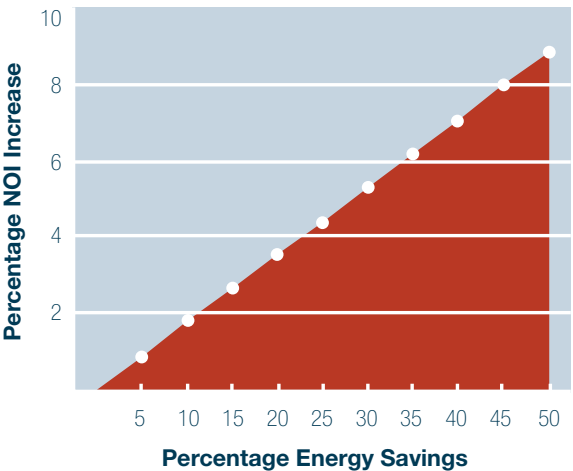
For more information

For more information about ENERGY STAR or how energy efficiency can enhance asset value, call the toll free ENERGY STAR hotline at **1-888-STAR YES (1-888-782-7937)** or contact: the Program Director of the ENERGY STAR Programs
US EPA (6202J)
Ariel Rios Building
1200 Pennsylvania Avenue, NW
Washington, DC 20460

This address is effective January 1, 2000.

Among the resources available to ENERGY STAR participants is QuikScope, a software tool that helps owners and managers assess the costs and benefits of energy performance improvements. Partners use QuikScope to identify investment opportunities that improve the energy performance and asset value of their portfolios. QuikScope allocates the costs and benefits of energy-efficiency upgrades between tenants and owners, models a variety of leasing scenarios, and uses proven industry-accepted strategies (such as tenant cost recovery, future rent increases, and higher occupancy) to help building managers increase asset and shareholder value.

Impact of Energy Savings on NOI



Managers of publicly traded real estate portfolios are now considering internal earnings growth—a result of improved energy performance—as a viable value-creation strategy. The owners and managers of more than 2.0 billion square feet of office buildings have already become partners with EPA in this voluntary initiative. Boosting the financial performance of existing holdings allows ENERGY STAR partners to make their commercial real estate portfolios more competitive, profitable, and valuable.

Growth of ENERGY STAR Partnership for Commercial Real Estate

